

VZCZCXRO5514
PP RUEHCN RUEHGH RUEHVC
DE RUEHBJ #7108/01 2330641
ZNY CCCCC ZZH
P 210641Z AUG 06
FM AMEMBASSY BEIJING
TO RUEHC/SECSTATE WASHDC PRIORITY 4294
INFO RUEHOO/CHINA POSTS COLLECTIVE PRIORITY
RUEHLO/AMEMBASSY LONDON PRIORITY 2922
RUEHKO/AMEMBASSY TOKYO PRIORITY 0792
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 1459
RUEHGV/USMISSION GENEVA PRIORITY 1273

C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 017108

SIPDIS

SIPDIS

E.O. 12958: DECL: 08/21/2016
TAGS: [EAID](#) [ECON](#) [PREL](#) [CH](#) [AF](#)
SUBJECT: (C) PROSPECTS FOR COORDINATION WITH CHINA ON
FOREIGN AID LIMITED

REF: A. (A) BEIJING 16824
[1](#)B. (B) BEIJING 2948
[1](#)C. (C) BEIJING 1238
[1](#)D. (D) 05 BEIJING 16339
[1](#)E. (E) 05 BEIJING 16254

Classified By: (C) CLASSIFIED BY ACTING MINISTER-COUNSELOR FOR ECONOMIC
AFFAIRS CHRISTOPHER BEEDE; REASON 1.4 (B) AND (D)

[1](#)1. (C) Summary: Chinese government officials indicated to a visiting USAID official that while they welcome the opportunity to discuss development assistance as part of an overarching U.S.-China dialogue, the prospects for coordination with China on foreign aid appear to be limited in the near term, a view that was reinforced in meetings with other bilateral donors. The Ministry of Commerce (MOFCOM) Department of Foreign Aid, the primary agency responsible for implementing China's nascent aid program, declined to meet the USAID official. The Ministry of Foreign Affairs (MF) Asian Department was willing to discuss possible U.S.-China bilateral cooperation on humanitarian assistance in Afghanistan. However, a more senior official in the MFA International Organizations Department, though not specifically referring to assistance in Afghanistan, expressed China's general preference to coordinate Chinese foreign aid with multilateral bodies, including the United Nations. End Summary.

[1](#)2. (C) Norman Nicholson, Director for Donor Coordination at USAID, attended the Global Issues Forum in Beijing on August 9-10 and presented U.S. views on aid programs and international development cooperation (Ref A). On August 8 and 11, Nicholson met with Chinese officials at the MFA Asian Department, a professor at People's University who also serves as a consultant on foreign aid issues to MOFCOM, and representatives of the British and Japanese aid agencies. He spoke informally on the sidelines of the forum with the Deputy Director Generals of both the MFA Department of International Organizations and Conferences and MOFCOM Department of International Economic and Trade Relations.

U.S.-China Dialogue on Foreign Aid a Positive Step...

[1](#)3. (C) Chinese officials at the Global Issues Forum voiced their appreciation for hearing U.S. views on international development cooperation (Ref A) and noted that dialogue on foreign aid coordination would yield positive gains in the long run. In order to improve its aid effectiveness, China wants to learn from the experiences of other donors, including the United States, said Wang Xiaolong, Deputy Director General of the MFA's Department of International Organizations and Conferences. Wang and other officials

reiterated the often expressed Chinese position that China's foreign aid program remains relatively small due to its own economic constraints, but that China's overseas economic assistance will grow commensurate with continued domestic economic development. MFA contacts stated that opening a dialogue with the United States on development assistance at this stage of China's aid program is a positive step.

...But MOFCOM Not Interested in Donor Coordination Efforts

14. (C) MOFCOM officials, however, were reluctant to discuss possible cooperation with the United States on development assistance. MOFCOM's representatives at the Global Issues Forum were not from the Department of Foreign Aid, which is charged with delivering overseas economic assistance. Instead the Deputy Director General of MOFCOM's Department of International Trade and Economic Affairs (DITEA) represented the Ministry at the GIF. The Department of Foreign Aid refused to meet separately with Nicholson, and officials from the Department DITEA said that they would not be able to facilitate a meeting with the Department of Foreign Aid even though both departments are part of the same ministry.

15. (C) Representatives from other bilateral donors, including the UK Department for International Development (DFID) and Japan International Cooperation Agency (JICA), all agreed that it is difficult if not impossible to work with the MOFCOM Department of Foreign Aid. A JICA official, for example, said that Japanese efforts to coordinate development assistance with China have been unsuccessful to date, largely due to the reluctance of the MOFCOM Department of Foreign Aid to engage. "JICA is a little bit at a loss of what to do,"

BEIJING 00017108 002 OF 002

stated Akimitsu Okubo, JICA Deputy Country Representative. "We want to cooperate with China on aid to other countries, but the MOFCOM Department of Foreign Aid is not transparent." DFID, which has been more successful in encouraging mutual cooperation on China-Africa economic relations, has some collaboration with MOFCOM on projects in Ghana and Tanzania, but Chris Athayde, DFID's Deputy Country Director, agreed that working with MOFCOM has been difficult.

16. (C) Interlocutors largely agreed that even if the MOFCOM Department of Foreign Aid becomes more transparent, it would remain unclear which agency in the Chinese Government would have the lead on foreign aid issues. MOFCOM remains the primary approval and implementing agency. Other ministries, however, such as the Ministry of Health, also may implement sector-specific projects, and the Ministry of Finance (MOF) and MFA also have input in the project formulation process, said Zha Daojiong, a senior advisor on Chinese development assistance and professor at People's University (Refs C and D). Chinese embassies in developing countries also contribute to the process, said Zha, as Ambassadors overseas route requests for development projects in their assigned countries back to Beijing through the MFA.

MFA: Opportunity for Cooperation in Afghanistan

17. (C) At the MFA, Zhang Yiming, Asian Department Director for Pakistan, Afghanistan, and Bangladesh, said that China would be interested in cooperating with the United States on development assistance in Afghanistan, particularly in the area of humanitarian assistance in drought stricken areas. China has obligated USD 68 million of grants to Afghanistan out of its USD 150 million total pledge made in January 2002.

Most of the remaining amount consists of soft loans that China has not yet distributed due to concerns about Afghanistan's weak banking sector and increasing the debt burden in Afghanistan, Zhang said. In addition, China pledged an additional USD 80 million at the London Conference on Afghanistan in January 2006. China also is seeking other means to be helpful to Afghanistan, Zhang stated, including

according zero tariff treatment on 278 items and promoting educational exchanges. Zhang lamented that problems with internal coordination between MFA, MOFCOM, and MOF dilute China's aid effectiveness overseas.

China Focuses on Multilateral Dialogues on Foreign Aid

18. (C) MFA and MOFCOM officials emphasized that to the extent that Beijing coordinates its aid efforts with other countries, the PRC would prefer to work with multilateral agencies. At the Global Issues Forum, Wang Xiaolong stated that he expects Chinese coordination on foreign aid issues to be limited to discussions with UN agencies in the near term.

19. (C) Liang Hong, Division Director in MOFCOM's Department of International Trade and Economic Affairs, who also attended the GIF, agreed that China's current approach to donor coordination is a multilateral one. China already has a history of working with UNDP and UNICEF on incoming aid, which makes them more likely partners, Liang said. As an example, the UNDP Representative Office hosted a seminar on China-Africa Economic Relations in Beijing on August 15.

110. (C) USAID Director for Donor Coordination Norman Nicholson cleared this cable.

SEDNEY
SEDNEY